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Annual Report 2002

LOGISTEC

Networking the World

Our Mission

Logistec provides high-quality, specialized cargo handling and other services to its marine and industrial customers through the expertise of its personnel, the use of the latest technologies and a network of strategically located facilities.

Logistec will maximize shareholder value through its focus on customer service, operational excellence and a commitment to growth.

Activities

Logistec provides specialized services to the marine community and industrial companies. Services include:

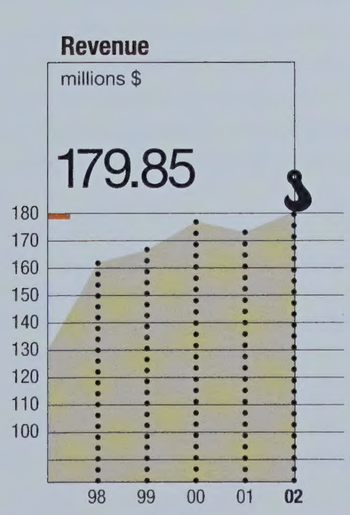
- Cargo handling at 28 ports in Eastern Canada, the Great Lakes and the U.S. East Coast;
- Agency services to foreign shipowners and operators serving the Canadian market;
- Marine transportation services geared primarily to the Arctic coastal trade; and
- Management of PCBs, site remediation, risk assessment and rehabilitation of underground pipes and aqueducts.

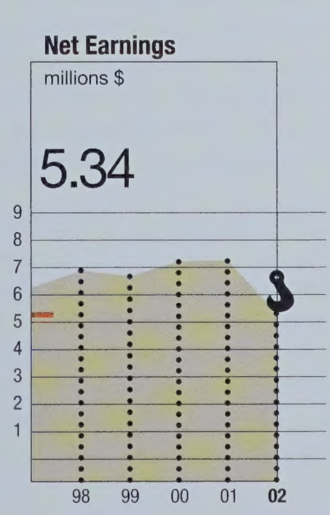
A public company since 1969, Logistec Corporation's shares are listed on the TSX Exchange under the symbols LGT.A and LGT.B.

Financial Highlights

(in thousands of dollars, except where indicated)	**2002**	2001	2000	1999	1998*	Var. 01-02	Var. 98-02
Financial Results							
Revenue	**179,854**	172,662	177,462	167,473	162,962	4 %	10 %
Net earnings	**5,342**	7,218	7,177	6,738	6,907	(26) %	(23) %
Cash flow from operations	**15,748**	14,620	17,864	15,450	14,413	8 %	9 %
Financial Position							
Total assets	**111,255**	111,548	108,504	101,188	97,192	0 %	14 %
Working capital	**11,742**	16,958	15,698	9,409	10,785	(31) %	9 %
Long-term debt	**6,553**	9,652	14,533	16,368	14,647	(32) %	(55) %
Shareholders' equity	**67,496**	64,165	57,325	51,333	46,400	5 %	45 %
Per Share Information							
Net earnings ($)	**0.81**	1.10	1.09	1.03	1.07	(26) %	(24) %
Cash flow from operations ($)	**2.40**	2.23	2.72	2.36	2.23	8 %	8 %
Shareholders' equity ($)	**10.27**	9.77	8.74	7.84	7.19	5 %	43 %
Outstanding shares (weighted average in thousands)	**6,575**	6,566	6,558	6,546	6,451		
Price of shares at December 31:							
Class A ($)	**9.05**	8.25	7.00	13.00	12.67		
Class B ($)	**10.00**	8.00	6.00	11.50	12.33		
Dividends per share:							
Class A ($)	**0.22**	0.22	0.22	0.21	0.20		
Class B ($)	**0.242**	0.242	0.242	0.231	0.22		
Selected Ratios							
Return on average equity	**8.11 %**	11.88 %	13.21 %	13.79 %	16.08 %		
Net earnings/Revenue	**2.97 %**	4.18 %	4.04 %	4.02 %	4.24 %		
Long-term debt/Shareholders' equity	**10 %**	15 %	25 %	32 %	32 %		
Price of Class B Share/ Earnings	**12.35**	7.27	5.50	11.17	11.53		
Price of Class B Share/ Cash flow from operations	**4.17**	3.59	2.21	4.87	5.53		

** Figures from 1998 have been changed in order to reflect the stock split of 1999.*





> The past year gave rise to corporate developments matching our vision of being customers' terminal operator of choice throughout the various geographical markets we serve and the various niches we cover: general cargo, dry bulk cargo and containers.

In 2002, Logistec Corporation had to contend with a difficult business environment for a third straight year and despite a 4% increase in consolidated revenues, our pre-tax profits fell 11%.

Fiscal 2002 was moreover Logistec's 50th year in business. If there is one thing we have learned over the past five decades, it is to remain focused on our long-term objectives and strategies. In this regard, the past year gave rise to corporate developments matching our vision of being customers' terminal operator of choice throughout the various geographical markets we serve and the various niches we cover: general cargo, dry bulk cargo and containers.

Our management continues to focus on developing our stevedoring and port terminal business. Our long-term growth strategy of geographical expansion and diversifying the various types of cargo we handle is still appropriate. We can thus serve a growing customer base through an expanding network of port facilities. Our greatest strength is our broad cargo mix, which enables us to offset the impact of slowdowns in any particular sector on our overall financial performance. To optimize this strength, we remain committed to further improving our existing facilities in order to stimulate our internal growth, operational excellence and cost-efficiencies.

IN 2002

Achievement of Two Strategic Breakthroughs

Over the past year, we successfully implemented a strategic outsourcing agreement with Emera and Nova Scotia Power. The contract involved discharging some two million tonnes of coal at the Port of Sydney, Nova Scotia and its handling and transportation to two power plants in Cape Breton. This one-year contract was renegotiated for another 10 years in late 2002. We also agreed to take over the assets and modernize the handling facilities in 2003, for a total investment of about $15 million.

Madeleine Paquin, President and Chief Executive Officer

A further success was our initiation of a three-year agreement with Del Monte to handle all its fresh fruit cargoes at Port Manatee, Florida. Port Manatee is the fifth largest of Florida's 14 deepwater ports. This new addition to Logistec's network is also the largest port facility used by Del Monte in the United States.

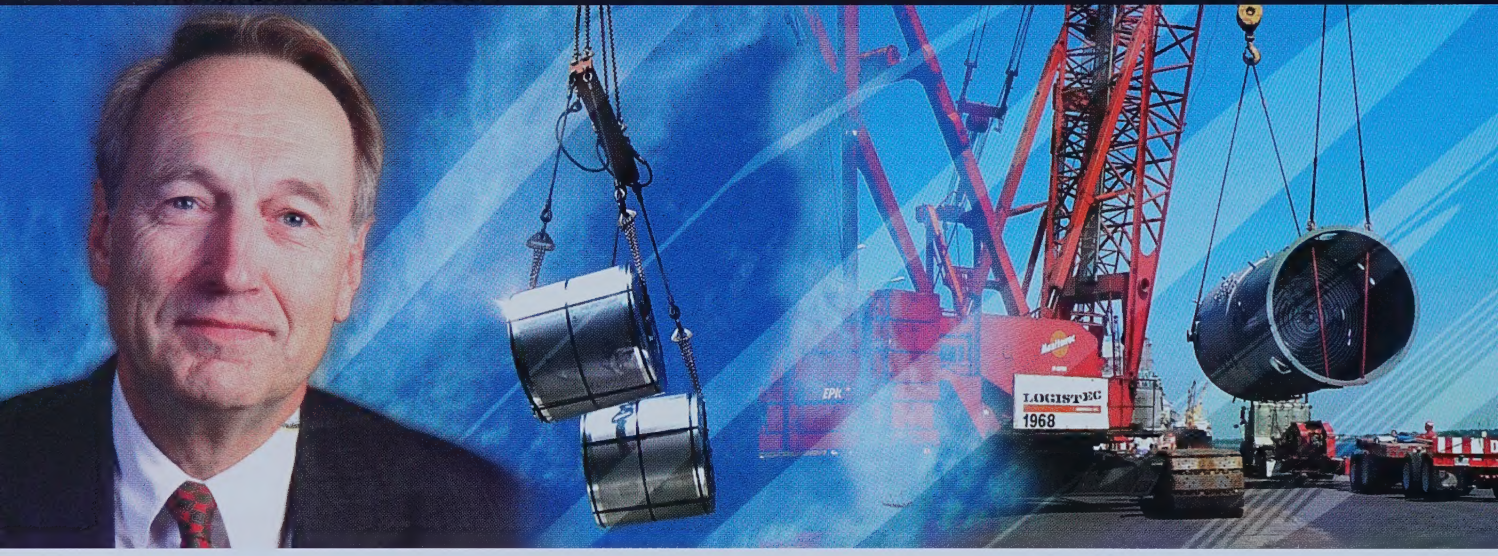
Ability to Adapt Quickly to Cargo Trends

Last year, the break-bulk market – steel, lumber, project cargo, perishable goods and the like – continued to be marked by uncertainty and change. The trading of many of these types of cargo is affected by factors beyond our control, such as macro-economic forces and changes in government policy. For instance, already shaky U.S. steel imports plummeted last March after President Bush announced customs tariffs in retaliation for what is alleged by the Americans as dumping. Higher-value shipments such as premium-quality steel were particularly hard hit by this measure. Our specialized steel handling terminal in New Haven thus reported a 30% decline in volume in 2002. On a positive note, our U.S. terminals saw larger shipments of lumber from overseas in part due to the lumber war between Canada and the United States. While the increase in lumber handling volume did not completely counterbalance the decrease in steel, we remain convinced that our diversified types of cargo and extensive network of terminals will continue to drive our growth.

Logistec also handles various dry bulk commodities such as road salt, unrefined sugar, ore concentrates, iron ore, aggregates, fertilizers, animal feed and grain. The trend has been for these cargoes to become increasingly stable from year to year, although volumes can fluctuate depending on weather conditions, mill openings and closings, and foreign government policies. In 2002, we were affected by reduced grain exports, particularly throughout our Great Lakes ports. At the same time, our facilities at the Port of Montréal handled lower volumes of ore concentrates and fertilizers because of reduced activity at customers' plants. This was somewhat offset by higher volumes of scrap metal, copper and salt. Also, we benefited from a first full year of coal handling at our new port in Sydney, Nova Scotia.

Containers are the third type of cargo handled by Logistec. Within our network, such services are offered in Saint John, New Brunswick and Montréal, Québec. Although this sector has been a strong contributor to Logistec's results in the past, it has always been subject to abrupt swings in volume. Customers include global container shipowners who operate in the North Atlantic or, in the case of Saint John, in the Florida/Caribbean/South American trade. Both are very competitive markets, driven by cost-efficiency and constantly evolving through ship alliances, conglomerates and mergers. The Montréal facilities Logistec holds under a joint venture achieved a solid performance in 2002. However, toward the end of the year, our two customers informed us they were shifting their operations to other Port of Montréal terminals. The Canex consortium, which was our largest customer, has entered into a slot-charter agreement with CP Ships Limited whereby the handling of its containers is now being accommodated at CP's facility. Costs have been cut sharply at our Termont terminal in the Port of Montréal. Now we are actively seeking a new carrier that might benefit from using this facility leased with our partner Ceres, a large U.S.-based stevedoring company owned by NYK, a multinational container carrier and logistics company headquartered in Japan.

John Springer, Chairman of the Board



Operational Excellence

Operational excellence is the keystone of our future growth. It means providing outstanding customer service, applying the latest handling techniques, fostering innovative labour relations, regularly measuring and improving productivity and maintaining a disciplined approach to expansion projects and capital investments.

In 2003 and beyond, we will undoubtedly benefit from the initiatives taken in 2002. In Bridgeport and New Haven, we renegotiated a labour agreement, which is more flexible and better suited to customer needs. We also cut costs significantly in Brunswick and Montréal. The construction of our new bulk facility in Montréal will be completed in the first quarter of 2003, which will allow us to realize cost savings, especially with our ore concentrates business. The next phase will focus on increasing our discharging capabilities and lowering per-unit costs. Further efforts will be made to realize operating cost-efficiencies in order to serve our customers even better in the future.

What's more, we will continue to rapidly adapt to reductions in volume and to diversify the types of cargo handled when this strategy is appropriate. In New Haven, the decrease in steel volumes was partially offset by an increase in copper imports. We expect the volume of copper handled by this facility to keep on growing in 2003. At the same time, we are seeing signs of a slight recovery in steel imports and are poised to benefit from any improvements in the marketplace.

Despite fiercer competition from containers, our volumes of forest products have held steady and even risen slightly. Our outlook here depends directly on our ability to remain cost competitive and generate sufficient economies of scale to attract specialized carriers. In the United States, we have significantly increased our market share in imported forest products by working closely with both carriers and industrial suppliers. We consistently show leadership by striving to find new ways of realizing savings in order to be more cost-effective while ensuring customer satisfaction.

Outlook

Logistec will continue to operate in a challenging economic environment in 2003. We will therefore remain focused on achieving operational excellence to maximize handling capabilities and minimize operating costs in all our terminals. Through targeted objectives, effective implementation strategies and rigorous control practices, we will attain the highest standards of cost-efficiency, operational excellence, economies of scale, labour relations, prudent capital investments, skills development and customer relations.

Logistec is a leader in break-bulk cargo handling in Canada and is gradually strengthening its position along the U.S. East Coast. This sector definitely holds its challenges, but we are confident that we can make the most of this market by banking on our network of facilities, our employees' skills and commitment, and their ability to rapidly adapt to change. We are also confident we will handle a growing volume of steel imports and that our new terminal in Port Manatee should bring about a certain stability in perishable goods in the coming years.

In regard to dry bulk, we have successfully increased our market share with our new coal handling contract in Nova Scotia and will seek further opportunities to develop our services for large industrial corporations.

Our container handling business will have a more difficult year in 2003. Our prime objective will be to develop a new customer base for Termont, our joint venture at the Port of Montréal. We are confident we will do so, but it may take some time before we reach or top the volumes achieved in 2002.

Logistec is a service company, which means our employees are our most valuable assets, the full credit for our success is owed directly to them. Together with the support of our Board of Directors, we form a solid team united by core values that give Logistec its unique character, namely a constant concern for the customer, a commitment to profitable growth, a spirit of innovation, operational excellence and absolute professionalism. In 2003, we will invest considerable efforts to ensure our human resources are well trained and motivated so all our internal partners can meet new challenges and thereby contribute fully to the achievement of our objectives.

John Springer
Chairman of the Board

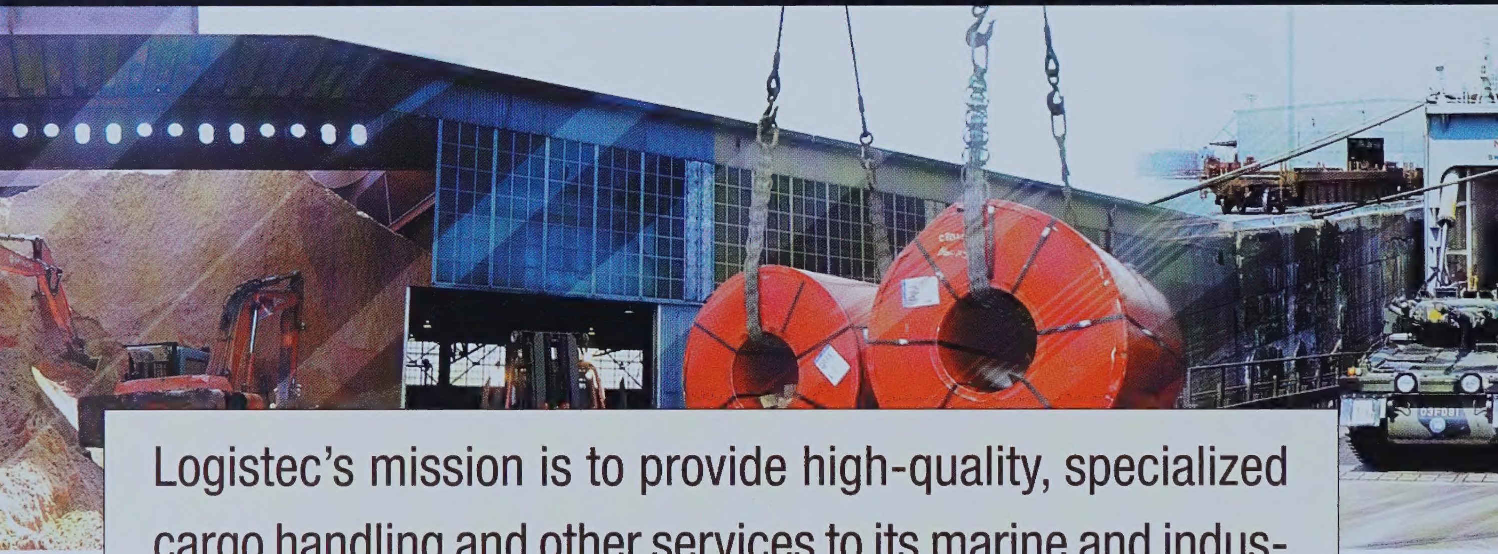
Madeleine Paquin
President and Chief Executive Officer

March 12, 2003

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with Logistec's consolidated financial statements and the accompanying notes for the period ended December 31, 2002.

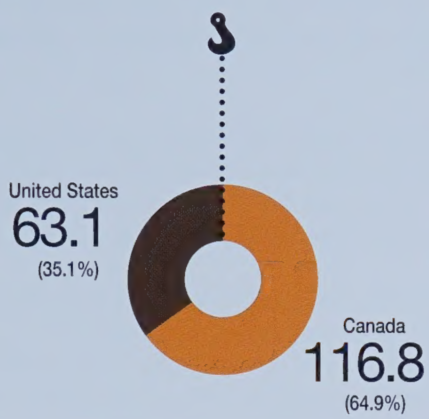
LOGISTEC CORPORATION



Logistec's mission is to provide high-quality, specialized cargo handling and other services to its marine and industrial customers. In order to do this, Logistec relies on the expertise of its personnel, the use of the latest technologies and a network of strategically located facilities.

Logistec maximizes shareholder value through its focus on customer service, operational excellence, and a commitment to growth.

Revenues by Geographical Area – 2002
(millions $)



Geographic diversification protects against local economic slowdowns and minimizes the impact of winter on operating results.

Cargo handling services represent almost 90% of Logistec's revenues.

The Company's Operations

Logistec's mission is to provide high-quality, specialized cargo handling and other services to its marine and industrial customers. In order to do this, Logistec relies on the expertise of its personnel, the use of the latest technologies and a network of strategically located facilities. Logistec maximizes shareholder value through its focus on customer service, operational excellence, and a commitment to growth.

Logistec's specialized services to marine and industrial customers include:

- Cargo handling at 28 ports in Eastern Canada, the Great Lakes and the U.S. East Coast;
- Agency services to foreign shipowners and operators;
- Marine transportation services geared primarily to the Arctic coastal trade; and
- Environmental services, including the management of PCBs, site remediation, risk assessment and rehabilitation of underground pipes and aqueducts.

Cargo handling services include stevedoring activities and terminal management, and represent almost 90% of the Company's revenues. Stevedoring involves the loading and unloading of ship cargoes at port facilities and requires specialized equipment and experienced personnel.

Longshoremen are traditionally the labour force used at port terminals. Longshoremen are usually unionized but they are not always Logistec exclusive employees. The employer can be a local employer association. When ships need to be loaded or unloaded, Logistec books the required number of longshoremen with the local employer association. The number and skills of the longshoremen depend on the type of cargo and equipment to be used. This arrangement has the benefit of creating a very flexible labour force for Logistec, as the Company pays the longshoremen only when they are needed.

The terminals and the sheds used by Logistec are normally rented from port authorities under long-term leases. While this ensures access to areas needed to do business, it also means the expense is fixed. Logistec also enters into short-term leases in some areas to respond to the need for space coming from new business. The rent is usually a combination of a basic amount plus some fees per tonnage, called wharfage.

The marine services operations include Logistec's coastal shipping venture, Transport Nanuk Inc. This company is jointly owned on a 50-50 basis with The North West Company Inc. and is accounted for on a proportionate consolidation basis. Nanuk and its Inuit partners operate two vessels and offer transportation services during the summer to the northern communities of the Canadian Arctic. One of the ships, the "M/V Umiavut", is a member of an international shipping pool during winter months.

Logistec has a 72% interest in Sanexen Environmental Services Inc., the environmental arm of the Company. Logistec accounts for this operation on a full consolidation basis. Although environmental services are not Logistec's core business, Sanexen is a profitable unit. While its traditional business of PCB management is slowly shrinking, Sanexen for the past two years has pursued a new line of business, namely underground water pipe refurbishing (Aqua-Pipe). Logistec believes this new line of business is very promising and intends to support its development.

Part of the Company's growth strategy involves strengthening the competitiveness of its port terminals. Logistec strives for operational excellence and strict cost control, which can often be achieved through the modernization of installations and continuous training of its personnel. The Company seeks to obtain a high level of performance from its operations through a continuous maintenance program for property, plant and equipment, planned equipment acquisitions and enhancements that have to meet rigorous performance criteria and specific internal rates of return, and above all an experienced supervisory staff.

Another critical part of the growth strategy is diversification. First, geographic diversification protects against local economic slowdowns and minimizes the impact of winter on operating results. Second, a good cargo mix prevents exposure to fluctuations of a specific commodity. For example, slowdowns in the movement of steel affected results in 2002 but this was partly offset by increases in bulk and container activities. Third, a good balance between export and import activities also ensures against economic slowdowns. Historically, when the North American industry is slowing down, producers turn to exports; similarly, when the economy is strengthening, imports improve.

Logistec is also focused on outsourcing as an avenue for growth. The Company believes that its expertise and efficiency in cargo handling would benefit industrial companies that operate their own port activities, providing them with a more efficient and less expensive cargo handling process and thereby freeing up some capital and personnel for better use in their core businesses. The Company has successfully undertaken such outsourcing in a variety of ports, including Sept-Îles, Québec, Montréal, Québec and Sydney, Nova Scotia.

Growth for the environmental division is expected to come with the development of new geographical markets. Sanexen is now gaining grounds in Ontario and Atlantic Canada with its Aqua-Pipe product. This will be followed by an entry into the large U.S. market.

In 2002, Logistec processed approximately 15.7 million tons of cargo involving hundreds of different commodities and containers.

A good cargo mix prevents exposure to fluctuations of a specific commodity.

Measuring Performance

Logistec is a cost-conscious company and many of its performance measures are geared to making sure its operations remain as cost effective as possible. The Company employs several systems and statistics internally to measure performance.

Each centre (port operation) is tracked individually from financial reports prepared on a monthly basis. Although this level of detail is not published for competitive reasons, it is very useful to management. Revenue, variable costs, fixed costs, and earnings are reviewed every month. Specific ratios are monitored – two of particular importance. The labour ratio (direct labour over revenue) is a good indicator of how well labour has performed and if any unusual events have affected operations. The other ratio, return on assets, shows earnings before interest and taxes over average assets. This gives a good indication of the use of equipment per centre, and also helps in determining allocation of capital expenditures.

Parallel to this, Logistec has a costing system that tracks activities per vessel. Through this system, the Company can track which commodity was handled, what equipment was used, and labour spending in dollars and hours. The system, which generates statistics on tons per hour and labour ratio per ship, determines the productivity from each ship and allows quick corrections, when appropriate.

Another factor of performance is the Company's ability to adapt to changes in cargo trends. The network of installations allows the Company to offset certain shifts in cargo volumes. With a large variety of handling equipment and an expertise in basically any dry cargo, Logistec is in a position to respond to any cargo handling requirements, and this flexibility helps the Company pick up new volumes in certain sectors as a way of compensating for reductions in other commodities. As an indication of the variety of the products being handled, the Company in 2002 processed approximately 15.7 million tons of cargo involving hundreds of different commodities such as dry bulk (sugar, salt, grain, concentrates, iron ore, coal, etc.), break-bulk (forest products, vehicles, fruit products, steel coils and beams, etc.) and containers.

The Company's Resources

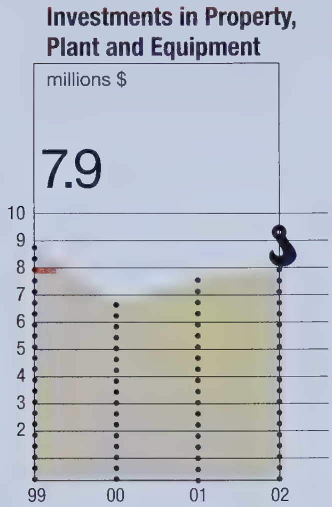
Several years ago, Logistec developed and began implementing a highly focused, strategic plan aimed at strengthening its operations and building shareholder value. The Company continues to pursue this plan.

Logistec's geographic reach was expanded last year with the addition of two destinations, Sydney, Nova Scotia and Port Manatee, Florida. The large variety of industries and customers served and the Company's ability to be a market consolidator (by acquiring installations or outsourcing activities), are generating economies of scale that are both profitable for the Company and our customers.

The network of installations allows Logistec to offset certain shifts in cargo volumes.

The Company's management team consists of seasoned managers, some with up to 30 years of industry experience. The Company is promoting continuous training and education to further develop the skills and abilities of its 532 employees (312 in Canada and 220 in the U.S.) to provide highly professional services to its clients. These figures include some longshoremen that are hired exclusively by Logistec but exclude longshoremen available to Logistec at its various port facilities through labour pools, which on any given day could double the number of people working for Logistec.

With respect to unionized labour, Logistec has demonstrated its ability to negotiate and work harmoniously with unions to ensure a sufficient supply of manpower to operate efficiently. Last year was particularly active on the labour front, with agreements reached in Sydney (for the new coal operations), Sept-Îles, and the Connecticut ports in New Haven, Bridgeport and New London. Negotiations are underway in Saint John, New Brunswick and were concluded early in 2003 in Port Manatee, Florida. In most cases where negotiations were completed, Logistec was successful in obtaining concessions affecting the flexibility of work, which will allow the Company to be more efficient and competitive.



A large variety of well-maintained, sophisticated equipment enables Logistec to keep performing at a high standard and avoid downtime due to breakdowns.

Logistec's stock of equipment is another key resource for future success. A large variety of well-maintained, sophisticated equipment enables the Company to keep performing at a high standard and avoid downtime due to breakdowns. Over the last four years, the Company has generated enough cash flow from operations to cover its acquisitions of property, plant and equipment. The Company's ability to generate a regular stream of cash flow, year after year, is a strong element that will ensure access to the right equipment at the right time.

Furthermore, with a current low level of long-term debt, and what management believes is a positive perception of the Company by financial institutions, Logistec believes that access to sufficient capital is assured if the need arises. Early in 2002, Logistec negotiated an unsecured credit facility, which covers the Company's Canadian and American stevedoring operations and gives access to a temporary line of credit of up to $21.2 million and term loans for the purchase of assets of up to $22.9 million.

Results for 2002

Consolidated revenues in 2002 reached $179.9 million, an increase of $7.2 million or 4.2% over 2001 revenues. The most important contribution to this revenue increase was the new operation in Sydney, which together with strong container activities and a revenue increase in the U.S. region, resulted in revenue gains of $14.3 million. These gains were partly offset by reduced volumes in Montréal, mainly due to a reduction in break-bulk volumes, and slower activities from a few bulk customers. A sharp reduction in grain handled in the Great Lakes due to reduced crops and extremely competitive market conditions also affected revenues negatively. Combined, these reductions accounted for $7.1 million in lost revenues. During 2002, the Company undertook a thorough review of its Great Lakes operations and completely overhauled its operational structure in order to minimize costs while still ensuring a presence and the ability to offer services.

A combination of higher expenses and higher income taxes reduced profits by $1.9 million in 2002, as net earnings were $5.3 million ($0.81 per share), compared to $7.2 million ($1.10 per share) in 2001.

Operating expenses totalled $161.2 million in 2002, $8.2 million more than the $153.0 million recorded in 2001. Gross margin from operations was 10.4% or $18.7 million, down from 11.4% or $19.7 million in 2001. Had the Company succeeded in maintaining the same gross margin ratio as 2001, operating expenses would have been lower by $2.0 million. This situation can partly be explained by the fact that the Company has fixed expenses in centres where volumes have dropped. This is one risk associated with the strategy to develop a large network of ports, where some centres may not be as profitable as others. But the Company believes that, in the long run, the benefits of a complete network will outweigh the costs of maintaining some slower centres.

Other factors that explain the reduced gross margin in 2002 were the increased cost of insurance, one-time retirement costs, foreign exchange fluctuations, and the costs of studying possible acquisitions, as follows:

- The cost of insurance soared to nearly double its 2001 level to $1.9 million, although the negative impact was reduced to approximately $0.7 million by closely monitoring claims.
- One-time restructuring and retirement costs totalling $0.7 million were incurred in 2002. These reflect the costs of downsizing and realigning part of our operations to be more efficient.
- Foreign exchange fluctuations, which produced a positive impact of $0.3 million in 2001, swung by $0.4 million to a loss of $0.1 million in 2002.
- Logistec was very active during the year studying acquisition possibilities. While not all of the efforts led to acquisitions, the Company successfully concluded a 10-year service agreement for the coal operation in Sydney, and was successful as well in signing a three-year contract with Del Monte Fresh Produce in Port Manatee. Overall, Logistec incurred approximately $300,000 in fees and expenses related to bidding and project research in 2002.

With respect to other expenses, at $9.6 million in 2002, depreciation expense was basically the same as in 2001 and was in line with the Company's program of property, plant and equipment maintenance. Amortization of goodwill and other assets totalled $0.4 million in 2002, a reduction of $0.3 million over 2001, essentially due to the new accounting policy concerning the elimination of goodwill amortization. Interest on long-term debt was $0.9 million in 2002, a reduction of $0.4 million over 2001 and a reflection of the reduction of long-term debt during the year.

In 2002, Logistec had only a small gain of $0.1 million on disposal of property, plant and equipment, compared to the $0.6 million obtained in 2001, which resulted from the sale of a decontamination unit by its environmental services subsidiary, Sanexen.

In 2001, the Company reported a gain on dilution of an investment in a company subject to significant influence that was the result of the capital reorganization of Quebec Railway Corporation Inc., in which Logistec owns a participation of 15.62%.

Income taxes were $3.4 million in 2002 (an effective tax rate of 39.1%), compared to $2.5 million in 2001. The effective tax rate of 25.4% for 2001 was exceptionally low due essentially to adjustments to the future income tax calculation and a reduction in the statutory rate.

Liquidity and Cash Resources

Cash provided from operations in 2002 totalled $15.7 million, $1.1 million more than in 2001. Combined with the short-term borrowings of $2.6 million, these funds were used to acquire property, plant and equipment in the amount of $7.9 million and for investment related to the service contract for Sydney in the amount of $6.4 million. Amounts paid by the Company for assets (i) that will be used in service contracts with customers that have the exclusive right to all or a portion of the assets for a specific period and (ii) that the Company is not able to sell or otherwise use to service others without the customer's consent, are accounted for as financing arrangements. The Company also used $1.3 million to prepay a 10-year lease on related land, which was recorded as other assets.

Long-term debt was reduced by $6.3 million during 2002. Long-term loans as of December 31, 2002 totalled $10.2 million, including the current portion of $3.7 million. The Company may increase its long-term debt during 2003, as higher than usual capital investments are planned to improve the Sydney and Montréal operations. The Company expects to finance approximately $11.0 million in 2003 for new capital improvements.

A total of $1.5 million in cash was used to pay dividends to shareholders, continuing the Company's long-held practice of paying dividends.

Reflecting the changes noted above, cash balances on December 31, 2002 totalled $6.8 million, a reduction of $4.8 million from $11.6 million a year earlier.

Working capital was $11.7 million (1.39:1) on December 31, 2002, a decline of $5.3 million from $17.0 million (1.54:1) a year earlier. This reduction in working capital mainly reflected the earlier-noted funds invested in Sydney operations that are currently financed on a short-term basis.

Long-term debt, at $6.6 million as of December 31, 2002, was low compared to equity of $67.5 million, resulting in a debt-to-equity ratio of 9.7%. This represented a strengthening of the Company's financial position when compared to the 2001 balance of $9.7 million and ratio of 15.0%. With such a low leverage, Logistec is in a good position to find appropriate financing, if the need arises, for its future projects.

As mentioned previously, early in 2002, Logistec concluded an unsecured credit agreement with its principal bank, HSBC, which has made available $21.2 million in the form of a line of credit and $22.9 million in term loans. As at December 31, 2002, $2.6 million was drawn from the line of credit and $5.3 million was outstanding as a term loan. Logistec Corporation and its subsidiary Logistec USA Inc. are jointly and severally liable for the balances.

Accounting Policies

On January 1, 2002, Logistec Corporation adopted the revised recommendations of Section 3062 of the Canadian Institute of Chartered Accountants Handbook ("CICA"), "Goodwill and Other Intangible Assets". The new recommendations eliminate the amortization of goodwill, which must undergo a regular impairment review to assess its fair value. Any loss of value or impairment must be written off. As of the end of the second quarter of 2002, the Company had allocated its existing goodwill to its reporting units and had completed an initial evaluation of the fair value of such reporting units. Based on this review, the Company identified that its environmental unit had goodwill amounting to $530,000 that was impaired. Consequently, and in accordance with the transitional rules of the CICA Handbook Section 3062, the Company wrote off this amount from the balance sheet, with $444,000 reducing retained earnings, and the difference of $86,000 affecting non-controlling interests on the consolidated balance sheets.

For comparative purposes, amortization of goodwill of approximately $271,000 was recorded in 2001.

In the first quarter of 2002, the Company also adopted the new recommendations of Section 3870 of the CICA Handbook, “Stock-based Compensation and Other Stock-based Payments”. This new Section sets out the guidelines for recording and disclosing the compensation that is paid to employees and non-employees and is based on the value of the Company’s shares. For Logistec, solely programs affecting its employees apply, namely an executive stock option plan, a stock option agreement and one stock purchase plan for employees. In this situation, Section 3870 recommends but does not require the use of the fair value method to record such transactions. In the third quarter of 2002, the Company changed its accounting policy for stock options from the intrinsic value method to the fair value method effective January 1, 2002 on a prospective basis. The 2002 consolidated financial statements were not impacted by this change in accounting policy since no options were granted in the year.

Business Risks

Risks and risk-taking are a constant reality of the business environment. Logistec’s ability to assess and counter the risks attached to its operating environment have had and will continue to have a direct impact on its success.

Logistec’s clear strategic plan and strong management are two crucial elements of its success in identifying business risks, taking appropriate actions, and staying focused on the business at hand and the development plan.

The Company’s track record of reporting profits for the last 34 consecutive years is probably a good indicator of Logistec’s ability to manoeuvre in its business environment, and although it is not a guarantee of future success, it nevertheless is a good foundation.

In order to identify problems early, the Company has put in place a precise and rigorous financial reporting system as well as a reliable costing system. Careful and ongoing analysis allows management to spot variations and opportunities early and to apply appropriate measures.

Competition is an inherent risk to any business. What is particular to the cargo handling industry is that the competition may come from quite a distance away. Indeed, although neighbouring terminals at some particular ports can be direct competition, marine transportation is done over very large distances, and as terminals all over the country are connected to efficient ground transportation systems (train or road), competitive terminals may be located hundred of kilometres away. For instance, forest products handled in Saint John, New Brunswick could be accommodated in Trois-Rivières, Québec, or steel products can easily shift between the Québec ports of Montréal and Sorel, and Toronto in Ontario or New Haven in Connecticut. What attracts and retains customers is Logistec’s well-established reputation for efficient and professional cargo handling at its terminals and port facilities. Furthermore, the Company is recognized as a cost-effective service provider, which enhances its leadership. Despite this, however, towards the end of 2002, the Company’s customer at its Termont container terminal in Montréal, Canex Services (a consortium of four large clients), accepted an offer to join another consortium to carry its container boxes serving the North Atlantic route. Termont, Logistec’s joint venture, is now faced with the challenge of bringing new customers to that terminal in 2003.

One element of the Company’s business strategy is to specialize its terminals to reduce the type of activities per terminal and thereby make each of them more efficient, with the strength of the network allowing the Company to cover a wide range of service offerings. However, if an economic slowdown occurs in a particular sector or some tariffs are levied, thereby reducing volumes on certain commodities that are handled in one of the terminals, these may have a severe impact on that terminal. Viewed as a whole, this is not a threat to the Company, but it may put one or a few of the terminals in a predicament until volumes return. Logistec’s ability to adjust to changes in cargo mix should mitigate that risk. For example, while increased tariffs reduced steel volumes substantially in New Haven, increased copper volumes brought into this facility helped to reduce the negative impact of that slowdown.

As Logistec continues to grow via acquisitions, there always will be the risk of difficult integrations, different cultures, and lost synergies when one organization buys another. The Company's extensive experience in that field is its best assurance that such effects will be minimized.

Corporate Governance

Logistec has implemented a high standard of corporate governance practices. The Company complies with the 14 guidelines issued by the Toronto Stock Exchange. Eight of Logistec's 11 directors are unrelated and independent of management, and the roles of Chairman and Chief Executive Officer are separate. The audit and remuneration committees of the Board of Directors consist exclusively of independent directors. The audit committee, which is involved in the review and approval of quarterly and annual financial statements prior to their submission to the Board of Directors for approval, meets privately with the Company's auditors, as needed. Also, management's recommendation of auditors is subject to the audit committee's approval prior to being submitted for shareholder approval at the Company's annual general meetings.

Outlook

Logistec expects 2003 to be a challenging year. Steel and forest product volumes are expected to continue to be low in historical terms and the Company is faced with developing new business for its Termont joint venture container facility at the Port of Montréal. At the same time, however, there will be a positive impact on revenues from the new contract in Port Manatee, which commenced in January 2003, and from expanding bulk volumes in Atlantic Canada.

The outlook for Sanexen is positive. Sanexen had a good year in its traditional service markets: PCB services and site restoration. The rehabilitation of underground pipes, which has not as yet had substantial impact in Sanexen's results, has been the focus of Sanexen's management. The considerable investments made to date in the development of Aqua-Pipe, a patented technology to repair underground water pipes with limited excavation, are expected to start paying off in 2003.

The Company is confident that it has the expertise and the resources to sustain business levels and find new profitable opportunities. The Company continues to be active in examining expansion and acquisition opportunities that will provide growth and bring value to the Company and its shareholders.

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This report contains certain forward-looking information and statements concerning the Company's operations, performance, and financial condition, including, in particular, the likelihood of the Company's success in developing and expanding its business. These statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Examples include the performance of domestic and international economies and the effects of these on shipping, weather conditions, labour relations, and pricing and other marketing activities by competitors. Actual results may differ materially from those expressed or implied by such forward-looking statements.

Jean-Claude Dugas
Vice-President, Finance
Treasurer

Selected Quarterly Data (1998-2002)

(in thousands of dollars, except per share data)

2002	Q1	Q2	Q3	Q4	Year
Revenues	36,236	45,569	49,022	49,027	179,854
EBITDA*	1,768	5,483	6,204	5,218	18,673
Earnings before taxes	(653)	2,956	3,584	2,881	8,768
Net earnings	(377)	1,876	2,413	1,430	5,342
Operating cash flow	1,669	4,067	4,753	5,259	15,748
Earnings per share	(0.06)	0.29	0.37	0.22	0.81

2001	Q1	Q2	Q3	Q4	Year
Revenues	38,183	42,183	44,150	48,146	172,662
EBITDA*	2,906	5,206	4,438	7,160	19,710
Earnings before taxes	951	2,605	1,157	5,090	9,803
Net earnings	629	1,505	966	4,118	7,218
Operating cash flow	1,863	3,789	3,991	4,977	14,620
Earnings per share	0.10	0.23	0.14	0.63	1.10

2000	Q1	Q2	Q3	Q4	Year
Revenues	34,317	42,851	50,160	50,134	177,462
EBITDA*	1,099	5,060	7,819	9,236	23,214
Earnings before taxes	(1,291)	2,394	4,811	6,133	12,047
Net earnings	(699)	1,438	2,835	3,603	7,177
Operating cash flow	1,329	3,673	5,452	7,410	17,864
Earnings per share	(0.11)	0.22	0.43	0.55	1.09

1999	Q1	Q2	Q3	Q4	Year
Revenues	32,412	41,276	49,335	44,450	167,473
EBITDA*	2,024	5,529	7,018	6,242	20,813
Earnings before taxes	231	3,326	4,048	3,268	10,873
Net earnings	93	1,960	2,387	2,298	6,738
Operating cash flow	1,651	3,779	5,093	4,927	15,450
Earnings per share	0.01	0.30	0.37	0.35	1.03

1998	Q1	Q2	Q3	Q4	Year
Revenues	28,217	38,500	49,533	46,712	162,962
EBITDA*	1,158	4,447	7,595	7,394	20,594
Earnings before taxes	(527)	2,647	4,538	4,989	11,647
Net earnings	(140)	1,356	2,671	3,020	6,907
Operating cash flow	1,082	2,825	4,955	5,551	14,413
Earnings per share**	(0.02)	0.21	0.41	0.47	1.07

* *Earnings before interest, taxes, depreciation and amortization*

** *Earnings per share of 1998 have been changed in order to reflect the stock split of 1999.*

Management's Report

Logistec Corporation's Annual Report for the year ended December 31, 2002 and the financial statements included therein were prepared by the Company's management and approved by the Board of Directors.

The Audit Committee of the Board is responsible for reviewing the financial statements and for ensuring that the Company's internal control systems and management policies are appropriate to the activities of the Company, and the financial statements are prepared in accordance with accounting principles generally accepted in Canada.

The financial statements have been audited by Samson Bélair/Deloitte & Touche, Chartered Accountants and their report follows.

John Springer
Chairman of the Board

Madeleine Paquin
President and Chief Executive Officer

Auditors' Report

To the Shareholders of Logistec Corporation

We have audited the consolidated balance sheets of Logistec Corporation as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair
Deloitte & Touche

Chartered Accountants
February 21, 2003

Consolidated Statements of Earnings

Years ended December 31, *(in thousands of dollars, except for shares and per share amounts)*	**2002** **$**	2001 $
Revenue	**179,854**	172,662
Operating expenses	**161,181**	152,952
Margin from operations	**18,673**	19,710
Depreciation of property, plant and equipment	**9,562**	9,607
Amortization of goodwill and other assets	**407**	656
Interest on long-term debt	**945**	1,373
Gain on disposal of property, plant and equipment	**(85)**	(599)
	10,829	11,037
Earnings from operations	**7,844**	8,673
Share in the results of companies subject to significant influence	**785**	705
Gain on disposal of investments	**139**	–
Gain on dilution of an investment in a company subject to significant influence	**–**	425
	924	1,130
	8,768	9,803
Income taxes (Note 2)	**3,424**	2,494
	5,344	7,309
Non-controlling interests	**2**	91
Net earnings	**5,342**	7,218
Basic and diluted earnings per share (Note 3)	**0.81**	1.10
Weighted average number of shares outstanding	**6,574,811**	6,565,611

Consolidated Statements of Retained Earnings

Years ended December 31, *(in thousands of dollars)*	**2002** **$**	2001 $
Balance, beginning of year (as previously reported)	**49,193**	43,478
Goodwill reduction due to a change in an accounting policy (Note 1)	**444**	–
Restated balance, beginning of year	**48,749**	43,478
Net earnings	**5,342**	7,218
	54,091	50,696
Dividends	**1,505**	1,503
Balance, end of year	**52,586**	49,193

Consolidated Balance Sheets

As at December 31, *(in thousands of dollars)*	**2002** **$**	2001 $
Assets		
Current assets		
Cash	**6,789**	11,600
Accounts receivable	**29,115**	33,144
Income taxes receivable	**2,439**	791
Future income taxes (Note 2)	**231**	224
Prepaid expenses	**3,487**	2,886
	42,061	48,645
Investments (Note 4)	**12,309**	5,281
Property, plant and equipment (Note 5)	**49,145**	51,156
Goodwill	**2,441**	2,972
Other assets	**3,698**	1,370
Future income taxes (Note 2)	**1,601**	2,124
	111,255	111,548
Liabilities		
Current liabilities		
Short-term bank loans (Note 6)	**3,962**	1,389
Accounts payable and accrued liabilities	**19,717**	20,677
Deferred revenue	**2,178**	2,259
Income taxes payable	**407**	471
Dividends	**377**	376
Current portion of long-term debt (Note 7)	**3,678**	6,515
	30,319	31,687
Long-term debt (Note 7)	**6,553**	9,652
Provision for inspection of vessels	**187**	155
Future income taxes (Note 2)	**5,988**	4,989
Non-controlling interests	**712**	900
	43,759	47,383
Commitments and Contingencies (Notes 11 and 16)		
Shareholders' equity		
Capital stock (Note 9)	**13,377**	13,278
Retained earnings	**52,586**	49,193
Foreign currency translation adjustment	**1,533**	1,694
	67,496	64,165
	111,255	111,548

On behalf of the Board

John Springer
Director

Madeleine Paquin
Director

Consolidated Statements of Cash Flows

Years ended December 31, *(in thousands of dollars)*	**2002** **$**	2001 $
Operating activities		
Net earnings	**5,342**	7,218
Items not affecting cash (Note 10)	**10,406**	7,402
Cash provided from operations	**15,748**	14,620
Changes in non-cash working capital items (Note 10)	**330**	2,902
	16,078	17,522
Financing activities		
Short-term bank loans	**2,573**	(1,027)
Issuance of long-term debt	**25**	250
Repayment of long-term debt	**(6,301)**	(5,036)
Issuance of shares, net of related costs	**17**	5
Dividends paid	**(1,504)**	(1,502)
	(5,190)	(7,310)
Investing activities		
Acquisition of property, plant and equipment	**(7,891)**	(6,583)
Acquisition of other assets	**(2,222)**	(524)
Investment in service contracts	**(6,365)**	–
Proceeds from disposal of property, plant and equipment	**603**	890
Proceeds from disposal of investments	**228**	–
Dividends received from companies subject to significant influence	**33**	13
	(15,614)	(6,204)
Foreign exchange gain (loss) on cash held in foreign currencies of self-sustaining subsidiaries	**(85)**	279
Net change in cash	**(4,811)**	4,287
Cash, beginning of year	**11,600**	7,313
Cash, end of year	**6,789**	11,600

Non-cash transactions and supplemental information (Note 10)

(column figures are in thousands of dollars except for per share amounts)

01 Significant Accounting Policies

Changes in accounting policies

Goodwill

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3062, "Goodwill and Other Intangible Assets". The section requires that goodwill and other intangibles assets, which are determined to have indefinite useful lives, are no longer amortized but are tested for impairment annually by comparison to their fair values. An impairment loss is recognized in earnings, if any.

The Company completed the transitional impairment test on the goodwill of all of its reporting units. Based on such tests, an impairment loss of $530,000 was recognized for one reporting unit of one of its subsidiaries. In accordance with the transitional provision of Section 3062, an impairment loss, as a result of applying the recommendations for the first time, is recognized as the effect of a change in an accounting policy and charged to opening retained earnings, without restatement of prior periods. Accordingly, of the previously mentioned impairment loss, $444,000 was charged to retained earnings net of non-controlling interests of $86,000.

The following table shows the effect of the new recommendations as if they had been applied retroactively on the net earnings and basic and diluted earnings per share.

	2002	2001
	$	$
Net earnings	**5,342**	7,218
Amortization of goodwill, net of income taxes	**–**	172
Adjusted net earnings	**5,342**	7,390
Net earnings per share	**0.81**	1.10
Amortization of goodwill, net of income taxes	**–**	0.03
Adjusted earnings per share		
Basic and diluted	**0.81**	1.13

In 2001, the Company amortized goodwill under the straight-line method over periods that did not exceed 40 years.

Stock-based compensation

Effective January 1, 2002, the Company adopted the new recommendations of Section 3870 of the CICA Handbook, "Stock-based Compensation and Other Stock-based Payments." This section sets standards for recognizing, measuring and disclosing stock-based payments made to employees and to non-employees in exchange for goods and services.

The Company chose to use the fair value method on a prospective basis. Under the fair value method, fair value of the stock options is estimated at the grant date and the total fair value of the options is amortized over the vesting periods as compensation expense with an offset to Capital Stock. For options that are forfeited before vesting, the compensation expense that has previously been recognized in operating expenses and Capital Stock is reversed. When options are exercised, the proceeds received by the Company are credited to Capital Stock.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Acquisitions of all subsidiaries are accounted for by the purchase method, and results of operations are included in the consolidated financial statements from the date of acquisition of control. Investments in joint ventures are accounted for by the proportionate consolidation method. All intercompany transactions are eliminated on consolidation.

Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Foreign currency translation

Revenue and expense items arising from transactions in foreign currencies are converted into Canadian dollars at the rates in effect on transaction dates. Monetary asset and liability items on the balance sheets are translated into Canadian dollars at the rates in effect at the balance sheet date; non-monetary items are translated at the rates in effect on the transaction dates. Exchange gains or losses arising from translation are recognized in earnings.

The Company's foreign operations are self-sustaining. Assets and liabilities are translated at the rates in effect at the balance sheet date; revenue and expense items are translated at the rates in effect on transaction dates. Gains or losses arising from translation are recorded in shareholders' equity under the heading "Foreign currency translation adjustment".

01 Significant Accounting Policies (cont'd)

Revenue recognition
The Company's revenue is mainly derived from stevedoring related activities. Deferred revenue is reported for material loading and tailgating services billed but not yet provided.

Incomes taxes
The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted income tax rates for the years in which the differences are expected to reverse.

Earnings per share
The diluted earnings per share have been calculated using the treasury stock method.

Investments
The investments in the companies subject to significant influence are accounted for under the equity method.

Investment in service contracts
Amounts paid by the Company for assets that will be used in service contracts where the customer has the exclusive right to all or a portion of the assets for a specific period and the Company is not able to sell or otherwise use those assets to service others without the customer's consent are accounted for as financing arrangements.

Employee future benefits
The cost of pensions is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

In 2001, the Company created a transitional asset, which is the unrecognized amount of the fair value of plan assets less the accrued benefit obligation, less any accrued asset recorded in the financial statements. The transitional asset is amortized on a straight-line basis over the average remaining service period of active employees under the pension plan.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost and are depreciated on the straight-line method at annual rates calculated on their estimated useful lives. The gain or loss on disposal of property, plant and equipment is included in earnings.

Other assets
The other assets are recorded at cost or at cost less accumulated amortization for depreciable items. The major item is prepaid rent that is depreciated over the duration of the lease.

Provision for inspection of vessels
Each year, the Company accrues an amount necessary to cover the estimated cost of surveys required on each vessel.

02 Income taxes

The following table is a reconciliation of the difference between the statutory income tax rate and the effective income tax rate:

	2002 %	2001 %
Statutory income tax rate	**37.58**	36.25
Tax rate differential on future income tax liabilities	**0.55**	–
Impact of the new rates on calculation of future income taxes	**–**	(7.02)
Share in the results of companies subject to significant influence	**(1.54)**	(1.33)
Other	**2.46**	(2.46)
Effective income tax rate	**39.05**	25.44

02 Income Taxes (cont'd)

Income tax expense for the year is as follows:

	2002 $	2001 $
Current	**1,909**	3,642
Future	**1,515**	(1,148)
	3,424	2,494

As at December 31, future income taxes assets (liabilities) are as follows:

	2002 $	2001 $
Property, plant and equipment	**(4,759)**	(4,264)
Unused tax losses	**1,564**	2,039
Others	**(961)**	(416)
	(4,156)	(2,641)

As at December 31, the amounts recognized in the consolidated balance sheets are as follows:

	2002 $	2001 $
Current future income tax assets	**231**	224
Long-term future income tax assets	**1,601**	2,124
Long-term future income tax liabilities	**(5,988)**	(4,989)
	(4,156)	(2,641)

03 Earnings per Share

The weighted average number of shares outstanding used in the calculation of diluted earnings per share amounted to 6,613,034 for the year ended December 31, 2002 (6,581,460 in 2001). The diluted earnings per share is calculated using the dilutive stock options.

Options to purchase 105,000 Class B Subordinate Voting Shares at prices varying between $10.67 and $12.67 were outstanding during the year, but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the shares.

04 Investments

	2002 $	2001 $
Companies subject to significant influence	**5,944**	5,211
Investment in service contracts(*)	**6,365**	–
Other	**–**	70
	12,309	5,281

(*) Investment in service contracts represents amounts paid by the Company for the financing of assets in service contracts with a third party. These amounts, bearing interest at 13.6%, will be reimbursed to the Company through the service revenue charged to the customer over a 10-year period.

05 Property, Plant and Equipment

	Rates %	**Cost $**	**Accumulated depreciation $**	**2002 Net amount $**
Land	–	**23**	**–**	**23**
Buildings	5 to 20	**9,059**	**3,621**	**5,438**
Vessels	8 to 11	**7,424**	**3,417**	**4,007**
Machinery and equipment	7 to 33	**81,686**	**57,739**	**23,947**
Computer equipment	14 to 25	**3,955**	**2,671**	**1,284**
Furniture and fixtures	10 to 33	**2,376**	**1,543**	**833**
Leasehold improvements	10 to 25	**15,829**	**6,955**	**8,874**
Construction in progress	–	**3,413**	**–**	**3,413**
Machinery and equipment held under capital leases	7 to 33	**1,880**	**554**	**1,326**
		125,645	**76,500**	**49,145**

	Rates %	Cost $	Accumulated depreciation $	2001 Net amount $
Land	–	23	–	23
Buildings	5 to 20	8,679	2,962	5,717
Vessels	8 to 11	7,239	3,022	4,217
Machinery and equipment	7 to 33	79,200	52,803	26,397
Computer equipment	14 to 25	2,794	1,925	869
Furniture and fixtures	10 to 33	2,336	1,342	994
Leasehold improvements	10 to 25	14,212	5,219	8,993
Construction in progress	–	1,518	–	1,518
Machinery and equipment held under capital leases	7 to 33	3,010	582	2,428
		119,011	67,855	51,156

06 Short-term Bank Loans

In 2002, the Company and its wholly-owned subsidiary, Logistec USA Inc., signed an agreement with its main bank covering some unsecured, short-term and long-term credit facilities (Note 7). Under this agreement, the Company has access to a maximum of $21,200,000 in the way of bank overdraft or line of credit.

As at December 31, 2002, the advance under the short-term line of credit subject to this agreement amounts to $2,649,000, bearing interest at the bank's prime rate.

The other lines of credit of the Company at rates varying from banker's prime rate to banker's prime rate plus 1%, total $4,989,000 and are secured by a movable hypothec covering the Company's eligible accounts receivable and certain other assets. As at December 31, 2002, these assets amount to $15,306,000 ($15,668,000 in 2001) and the lines of credit used amount to $1,313,000 ($1,389,000 in 2001).

07 Long-term Debt

	2002 $	2001 $
Unsecured term loans (*)		
• bearing interest at 7.87%, payable in quarterly installments of $250,000, maturing in 2006	**3,500**	4,500
• bearing interest at prime rate plus 0.25%, payable in monthly payments of $110,332, maturing in 2004 (US$1,138,000)	**1,797**	–
• bearing interest at 7.12%, payable in quarterly installments of $178,571 and a final payment of $1,607,143, repaid in 2002	**–**	2,143
Term credit facility in the form of banker's acceptances, bearing interest at banker's acceptance rate, payable in annual instalments of $212,500, maturing in 2010 (**)	**1,700**	1,913
Notes payable		
• bearing interest at 9.75%, payable from 2005 to 2015 (US$500,000)	**790**	796
• bearing interest at prime plus 0.5% and from 7% to 9.5%, payable in monthly installments of $38,491, maturing from 2004 to 2006	**840**	700
• bearing interest at 7.37%, secured by property, plant and equipment of a net book value of $3,838,594, payable in quarterly installments of $262,920, repaid in 2002	**–**	3,188
• bearing interest at 7%, secured by a letter of guarantee for an amount of $747,221, payable in monthly installments of $64,655, repaid in 2002	**–**	318
Obligations under capital leases, bearing interest at rates varying from 6.77% to 10.64% and at prime rate plus 0.75%, payable in monthly instalments, maturing up to 2006	**1,078**	2,051
Other	**526**	558
	10,231	16,167
Current portion of long-term debt	**3,678**	6,515
	6,553	9,652

* As mentioned in Note 6, the Company has signed a banking agreement in 2002. Under this agreement, the Company has access to a total of $22,898,000 as unsecured term loans for the purpose of financing acquisition of property, plant and equipment.

** A joint venture of the Company has secured the credit facility by a movable hypothec of $8,500,000 and each partner guaranteed $1,500,000 in favor of the joint venture.

Under the conditions of the credit agreement, the short-term loans and long-term debt, the Company must satisfy certain restrictive covenants as to minimum financial ratios.

The long-term debt matures as follows:

	Obligations under capital leases			Other debts	
Years	Minimum payments $	Interest $	Principal $	Principal $	Total principal repayments required $
2003	658	36	622	3,056	3,678
2004	197	12	185	2,148	2,333
2005	164	11	153	1,346	1,499
2006	131	13	118	821	939
2007	–	–	–	316	316
Thereafter	–	–	–	1,466	1,466
	1,150	72	1,078	9,153	10,231

08 Financial Instruments

Interest and foreign exchange risks

The financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. The Company does not presently have derivative instruments to reduce its exposure to interest rate fluctuations. The foreign currency risk is managed due to the fact that the American subsidiaries have sufficient total cash inflow to meet their disbursements in US dollars.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. However, the Company's businesses have a large number of diverse customers which minimizes concentration of credit risk.

Fair value of financial instruments

As at December 31, 2002 and 2001, the estimated fair values of cash, accounts receivable, short-term bank loans, accounts payable and accrued liabilities and deferred revenue approximate their respective carrying values due to their short-term nature.

The estimated fair values of the investment in service contracts, long-term debt and obligations under capital leases are not significantly different from their respective carrying values as at December 31, 2002 and 2001.

09 Capital Stock

Authorized in an unlimited number

First Ranking Preferred Shares, non-voting, issuable in series

Second Ranking Preferred Shares, non-voting, issuable in series

Class A Common Shares, without par value, 30 votes per share, convertible into Class B Subordinate Voting Shares at the holder's discretion

Class B Subordinate Voting Shares, without par value, one vote per share, entitling their holders to receive a dividend equal to 110% of any dividend declared on each Class A Common Share

	2002 **$**	2001 $
Issued and outstanding		
3,925,770 Class A Common Shares (3,928,990 in 2001)	**5,189**	5,193
2,654,791 Class B Subordinate Voting Shares (2,640,071 in 2001)	**8,188**	8,085
	13,377	13,278

Pursuant to the Employee Stock Purchase Plan, 150,000 Class B Surbordinate Voting Shares are reserved for future issuances. Eligible employees designated by the Board of Directors need to have at least two years of service. Participation is on a voluntary basis. The subscription price is determined by the average high and low board lot trading prices of the Class B Subordinate Voting Shares on the Toronto Stock Exchange during five days, consecutive or not, preceding the last Thursday of the month of May of the year the shares are issued, less a maximum of 10% discount. A non-interest bearing loan offered by the Company is available to acquire the said shares. The loans are reimbursable over a two-year period. There remains an unallocated balance of 107,600 Class B Subordinate Voting Shares reserved pursuant to this purchase plan.

Under the Logistec Employee Stock Purchase Plan, 11,500 Class B Subordinate Voting Shares (6,900 in 2001) were issued for cash consideration of $17,513 ($4,494 in 2001) and for non-interest bearing loans of $81,962 ($47,187 in 2001). Also, 3,220 Class A Common Shares were converted into 3,220 Class B Subordinate Voting Shares in 2002.

The Company has granted to one director, for his services, one option to purchase 30,000 Class B Subordinate Voting Shares to be exercised until April 20, 2006, at a price of $12.67 per share.

The Company has set aside 290,000 Class B Subordinate Voting Shares pursuant to the Executive Stock Option Plan. Said options are granted at the market price. The options granted will vest over a period of five years at the rate of 20% per year starting at the grant date. Options to purchase 275,000 Class B Subordinate Voting Shares were granted pursuant to this plan.

09 Capital Stock (cont'd)

Outstanding stock options of the Company under the Executive Stock Option Plan and options granted to one of the directors are as follows:

Issuance date	Number of shares	Exercise price $	Expiry date
July 16, 1996	75,000	6.17	July 15, 2003
March 12, 1997	60,000	10.67	March 11, 2004
March 12, 1998	15,000	10.92	March 11, 2005
April 21, 1999	30,000	12.67	April 20, 2006
August 2, 2001	125,000	8.43	August 1, 2008

As of December 31, 2002, 205,000 options are exercisable (168,000 in 2001).

10 Statements of Cash Flows

a) Items not affecting cash

	2002 **$**	2001 $
Depreciation and amortization	**9,969**	10,263
Future income taxes	**1,515**	(1,148)
Share in the results of companies subject to significant influence	**(785)**	(705)
Gain on disposal of investments	**(139)**	–
Gain on dilution of an investment in a company subject to significant influence	**–**	(425)
Other	**(154)**	(583)
	10,406	7,402

b) Changes in non-cash working capital items

	2002 **$**	2001 $
Accounts receivable	**3,793**	2,235
Income taxes receivable	**(1,712)**	319
Prepaid expenses	**(601)**	(157)
Accounts payable and accrued liabilities	**(1,069)**	400
Deferred revenue	**(81)**	105
	330	2,902

c) Non-cash transactions

During 2002, the Company acquired property, plant and equipment and other assets of which $400,000 ($1,065,000 in 2001) was financed through long-term debt.

d) Supplemental information

	2002 **$**	2001 $
Interest paid	**1,248**	1,672
Income taxes paid	**2,971**	3,324

11 Commitments

- The Company is committed until 2016, under lease agreements to rent offices and port facilities for an amount of $45,462,000. The minimum amounts payable over the next five years are as follows:

	$
2003	**6,176**
2004	**6,011**
2005	**5,723**
2006	**5,928**
2007	**4,809**

- On December 31, 2002, a subsidiary of the Company entered into a ten-year service agreement. As a part of this agreement, the Company is committed to make capital improvements estimated at $7,200,000 in 2003. Amounts paid will be included in investment in service contracts.

12 Employee Future Benefits

The Company has various defined benefit and contribution plans providing pension to most of its employees.

The following tables present information concerning the defined benefit plans, established by independent actuaries.

	2002 **$**	2001 $
Benefit obligation		
Balance, beginning of year	**18,377**	16,384
Service cost	**451**	294
Interest	**1,188**	1,147
Employees' contributions	**225**	240
Plan amendments	**55**	99
Actuarial losses	**649**	1,212
Benefits paid	**(1,181)**	(999)
Balance, end of year	**19,764**	18,377
Fair value of plans' assets		
Balance, beginning of year	**19,116**	18,665
Actual return on plan assets	**(593)**	945
Employer contributions	**519**	265
Employees' contributions	**225**	240
Benefits paid	**(1,181)**	(999)
Balance, end of year	**18,086**	19,116
Funded status – (deficit) surplus	**(1,678)**	739
Reconciliation of funded status		
Unamortized net actuarial loss	**4,367**	1,717
Unamortized net transitional asset	**(1,978)**	(2,200)
Unamortized past service cost	**375**	357
Valuation allowance	**(1,104)**	(730)
Accrued benefit liability	**(18)**	(117)

The following table provides the amounts recognized in the consolidated balance sheets as at December 31:

	2002 **$**	2001 $
Accrued benefit liability	**(881)**	(833)
Prepaid benefit costs	**863**	716
Accrued benefit liability	**(18)**	(117)

12 Employee Future Benefits (cont'd)

Included in the above benefit obligation and fair value of plans' assets at year-end are the following amounts in respect of plans that are not fully funded:

	2002 **$**	2001 $
Benefit obligation	**19,017**	15,862
Fair value of plans' assets	**15,292**	14,289
Plans' deficit	**(3,725)**	(1,573)

The following table provides the net expense in the consolidated statements of earnings for the year ended December 31:

	2002 **$**	2001 $
Service cost	**451**	294
Interest on the benefit obligation	**1,188**	1,147
Expected return on plan assets	**(1,510)**	(1,513)
Amortization of past service costs	**37**	37
Amortization of transitional asset	**(221)**	(221)
Amortization of actuarial loss	**11**	–
Valuation allowance	**374**	368
Net expense on the defined benefit plans	**330**	112
Net expense on multi-employer defined pension plans	**411**	63
Net expense on the defined contribution plans	**92**	100
Net expense for all pension plans	**833**	275

In addition, net expense under Company-sponsored retirement savings plans amounted to $137,000 ($173,000 in 2001).

The significant assumptions used in the measurement of the Company's accrued benefit obligations are as follows:

	2002 **%**	2001 %
Discount rate	**6.5**	6.5
Expected return on plan assets	**7.5**	8.0
Rate of compensation increase	**4.0**	4.0

Multi-employer defined benefit pension plans

The Company makes contributions to collectively-bargained, multi-employer defined benefit pension plans. These contributions are determined in accordance with the provisions of negotiated labour contracts and generally are based on the amount of wages earned. Information concerning the Company's portion of the accumulated plan benefits, plan net assets and unfunded vested benefits, if any, is not determinable. In the event of a withdrawal from the plan, the Company may be subject to a withdrawal liability under the provisions of the *Multi-employer Pension Plan Amendments Act* of 1980. Management does not intend to take any action that would subject the Company to any such liability under the plan.

13 Equity in Joint Ventures

The Company's operations include joint ventures which are accounted for by the proportionate consolidation method. The Company's 50% equity interests are in the following joint ventures: Termont Terminal Inc., Transport Nanuk Inc., BalTerm, Quebec Mooring Inc., Soterm Inc., M.S.J.-Logistec Stevedoring, Quebec Maritime Services Inc. and ValTec.

13 Equity in Joint Ventures (cont'd)

The Company's investments in and its proportionate share of joint venture operations are summarized as follows:

	2002 $	2001 $
Balance sheets		
Current assets	**7,342**	6,764
Current liabilities	**(4,912)**	(4,168)
Property, plant and equipment	**8,156**	9,304
Long-term debt	**(2,579)**	(3,102)
Other	**(132)**	(74)
Investments in joint ventures	**7,875**	8,724

	2002 $	2001 $
Earnings statements		
Revenue	**40,109**	35,153
Expenses	**34,647**	30,307
Interest on long-term debt	**175**	187
Income taxes	**1,619**	1,582
	36,441	32,076
Net earnings from joint ventures	**3,668**	3,077

14 Related Party Transactions

The following table summarizes the Company's related party transactions for the year :

	2002 $	2001 $
Revenue from a shareholder of a joint venture	**1,876**	1,848
Operating expenses from		
a shareholder of a joint venture	**9,180**	7,554
a subsidiary of a company subject to significant influence	**3,111**	–

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, the amounts due (to) and from related entities are as follows:

	2002 $	2001 $
A shareholder of a joint venture	**57**	22
A subsidiary of a company subject to significant influence	**(766)**	–

These balances are payable on demand and have arisen from the provision of services referred to above.

15 Segmented Information

The Company is organized and operates primarily in one reporting segment, marine services. The financial information by geographic segment is as follows:

	Canada $	U.S. $	Total $
2002			
Revenue	**116,757**	**63,097**	**179,854**
Property, plant and equipment and goodwill	**34,932**	**16,654**	**51,586**
2001			
Revenue	109,731	62,931	172,662
Property, plant and equipment and goodwill	34,416	19,712	54,128

16 Contingencies

- As at December 31, 2002, the Company had outstanding letters of guarantee for an amount of $2,759,000 ($3,403,000 in 2001) relating to financial guarantees issued in the normal course of business.

- On September 27, 2002, a customer brought a legal proceeding against a wholly-owned subsidiary of the Company. The amount claimed in punitive damages is $1,000,000. Management has reviewed the file with its legal counsel and is of the opinion that it is not founded, therefore no amount has been provided in relation to this claim.

- In 1997, a subsidiary of the Company received a grant for an amount of $1,000,000. This grant was accounted for as a reduction in property, plant and equipment. This grant is conditional upon attaining a determined payroll expense. Under default circumstances, the grant is repayable in full or in part.

17 Comparative Figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2002.

MARINE SERVICES

Stevedoring and Terminal Division

DIVISIONAL HEAD OFFICE
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CANADA

Bayside, New Brunswick
Logistec Stevedoring (Atlantic) Inc.
Canada Enterprises Stevedoring and Terminals
Tel.: (506) 529-4769
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Churchill, Manitoba
Logistec Stevedoring Inc.
Tel.: (204) 675-2414
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Contrecœur, Québec
Logistec Stevedoring Inc.
Terminal Maritime Contrecœur
Tel.: (450) 587-2073
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Halifax, Nova Scotia
Logistec Stevedoring (Atlantic) Inc.
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Logistec Stevedoring Inc.
Tel.: (514) 255-6623
Fax: (514) 259-1545

Termont Terminal Inc.
Tel.: (514) 254-0526
Fax: (514) 251-1952

Miramichi, New Brunswick
Logistec Stevedoring (Atlantic) Inc.
Tel.: (506) 622-7039
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Pointe-au-Pic, Québec
Logistec Stevedoring Inc.
Tel.: (418) 665-7571
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Québec, Québec
Logistec Stevedoring Inc.
Tel.: (418) 522-7161
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Saint John, New Brunswick
Autoterm Inc.
Tel.: (506) 635-1910
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Saint John, New Brunswic (cont'd)
Logistec Stevedoring (Atlantic) Inc.
Brunswick Terminals
Tel.: (506) 635-4500
Fax: (506) 635-4515

Logistec Stevedoring (Atlantic) Inc.
Canada Enterprises Stevedoring and Terminals
Tel.: (506) 635-1600
Fax: (506) 635-1645

Logistec Stevedoring (Atlantic) Inc.
Forest Products Terminal
Forterm
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Fax: (506) 635-8638

Sept-Îles, Québec
Logistec Stevedoring Inc.
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Fax: (418) 962-7815

Sorel, Québec
Logistec Stevedoring Inc.
Tel.: (819) 379-0811
Fax: (819) 379-2996

Sydney, Nova Scotia
Logistec Stevedoring (Atlantic) Inc.
Tel.: (902) 563-4460
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Thunder Bay, Ontario
Logistec Stevedoring (Ontario) Inc.
Canadian Grain Trimmers
Tel.: (807) 345-2301
Fax: (807) 343-4243

Logistec Stevedoring (Ontario) Inc.
Tel.: (807) 344-1393
Fax: (807) 343-4243

Toronto, Ontario
Logistec Stevedoring (Ontario) Inc.
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Fax: (416) 465-4254

Trois-Rivières, Québec
Logistec Stevedoring Inc.
J.C. Malone
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Fax: (819) 379-2996

Valleyfield, Québec
ValTec, General Partnership
Tel.: (450) 377-6686
Fax: (450) 377-2521

UNITED STATES

Baltimore, Maryland
BalTerm, L.L.P.
Tel.: (410) 633-4415
Fax: (410) 633-4855

UNITED STATES (CONT'D)

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Logistec USA Inc.
Logistec Connecticut
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Fax operations: (203) 469-1318

Brunswick, Georgia
Logistec USA Inc.
Marine Port Terminals
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Fax: (912) 267-6352

Burns Harbor, Indiana
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American Grain Trimmers
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Milwaukee, Wisconsin
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Logistec Connecticut
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Fax: (203) 469-0905

New London, Connecticut
Logistec USA Inc.
Logistec Connecticut
Tel.: (860) 444-1329
Fax: (860) 444-1359

Port Manatee, Florida
(Operations started in January 2003)
Tel.: (941) 721-7209
Fax: (941) 729-8235

Superior, Wisconsin
Logistec USA Inc.
American Grain Trimmers
Tel.: (218) 727-8592
Fax: (218) 727-0777

Toledo, Ohio
Logistec USA Inc.
American Grain Trimmers
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Shipping Agency Division

CANADA

Québec, Québec
Ramsey Greig & Co. Ltd.
Tel.: (418) 525-8171
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E-mail: quebec.ops@ramsey-greig.com

Sorel, Québec
Sorel Maritime Agencies Inc.
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Thunder Bay, Ontario
Lakehead Shipping Company Limited
Tel.: (807) 345-1494
Fax: (807) 345-0467
E-mail: lakeship@tbaytel.net

Trois-Rivières, Québec
Ramsey Greig & Co. Ltd.
Tel.: (819) 379-2854
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Navigation Division

Montréal, Québec
Transport Nanuk Inc.
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Fax: (514) 523-7875
E-mail: agagnon@nanuk.ca

ENVIRONMENTAL SERVICES

Longueuil, Québec
Sanexen Environmental Services Inc.
Tel.: (450) 646-7878
1-800-263-7870
Fax: (450) 646-5127
E-mail: info@sanexen.com
Internet: www.sanexen.com

Toronto, Ontario
Sanexen Environmental Services Inc.
Tel.: (416) 622-5011
Fax: (416) 622-5823

Directors and Officers

Directors

John Springer[1,2,3]
President
Biehl International Corporation

Michael B. Harding, Eng.[1,2,3,4]
Company Director

Madeleine Paquin[3,4]
President and Chief Executive Officer
Logistec Corporation

Hon. J. Judd Buchanan[1,2]
President
Rundle Investments Ltd.

Serge Dubreuil, Eng.[3]
President
Logistec Stevedoring Inc.

George Gugelmann[1,4]
Private Investor

David M. Mann[1,4]
President and Chief Executive Officer
Emera Inc.

Pierre Martin[1,2]
President and Chief Executive Officer
ALSTOM Canada Inc.

Brian W. Mitchell, C.A.[2,3,4]
President
Schuss Holdings Ltd.

Suzanne Paquin[3]
President
Transport Nanuk Inc.

Norman Wolfe[4]
Secretary-treasurer
Norlau Holdings Inc.

1 Member of the Audit Committee
2 Member of the Remuneration Committee
3 Member of the Executive Committee
4 Member of the Pension Committee

Officers

John Springer
Chairman of the Board

Michael B. Harding, Eng.
Vice-Chairman of the Board

Madeleine Paquin
President and Chief Executive Officer

Serge Dubreuil, Eng.
Vice-President, Stevedoring

Jean-Claude Dugas, C.A.
Vice-President, Finance
Treasurer
Assistant Secretary

Pierre Lefebvre
Vice-President,
Human Resources

Guy Lequient
Vice-President,
Corporate Development

Suzanne Paquin
Vice-President

Stéphane Bourque, C.A.
Corporate Controller

Ingrid Stefancic, LL.B.
Corporate Secretary

Corporate Information

Subsidiaries

Autoterm Inc.
Forterm (USA), Inc.
Lakehead Shipping Company Limited
Logistec Marine Agencies Inc.
Logistec Stevedoring Inc.
Logistec Stevedoring (Atlantic) Inc.
Logistec Stevedoring (Ontario) Inc.
Logistec Stevedoring U.S.A. Inc.
Logistec USA Inc.
Moorings (Trois-Rivières) Ltd.
Ramsey Greig & Co. Ltd.
Sanexen Environmental Services Inc.
Sorel Maritime Agencies Inc.

Companies Subject to Significant Influence

Quebec Railway Corporation Inc.
St. Lawrence Mooring Inc.

Joint Ventures/Partnerships

BalTerm, L.L.P.
M.S.J. – Logistec Stevedoring
Quebec Maritime Services Inc.
Quebec Mooring Inc.
Soterm Inc.
Termont Terminal Inc.
Transport Nanuk Inc.
ValTec, General Partnership

Banks

HSBC Bank Canada
HSBC Bank USA
Bank of Nova Scotia
Royal Bank of Canada
TD Bank
People's Bank
Suntrust Bank

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